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SUBJECT: NOBEL LAUREATE REQUESTS USG HELP ON GRAMEEN BANK  
RULES

Classified By: Ambassador James F. Moriarty, Reasons 1.4 (b) and (d)

SUMMARY

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11. (C) Nobel Peace Laureate and Grameen Bank Chairman Muhammad Yunus asked that the USG assist him in urging Prime Minister Sheikh Hasina to change a long-standing rule that gives the Government of Bangladesh (GOB) control over his position as Grameen Bank Chairman. Bangladesh's 2007-2008 Caretaker Government passed an ordinance removing the GOB's authority to select the bank chairman, but the Parliament has not yet ratified that ordinance. In a May 10 meeting with the Ambassador, Professor Yunus requested our input on the best way to request the PM reconsider her refusal. The Ambassador pledged to assist Yunus in obtaining a meeting with the PM and in arguing on Yunus' behalf with the Prime Minister and her advisers. Yunus also discussed with the Ambassador his disappointment over the new Awami League government. Yunus said the new government had to focus on the nation's power needs and improve the quality of government bureaucracy in order for Bangladesh to weather the current economic turmoil. COMMENT: Yunus was clearly worried about the unwillingness to relinquish the GOB's control over the selection of the Grameen Bank Chairman.

YUNUS SEEKS CHANGE TO OLD RULE ON GRAMEEN LEADERSHIP  
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12. (C) As a followup to the the Secretary's meeting with Professor Yunus in Washington last month, the Ambassador called on Yunus May 10 at Grameen Bank headquarters in Dhaka. Yunus outlined in greater detail concerns he had raised with the Secretary regarding relations between the Government of Bangladesh (GOB) and Grameen Bank. According to Yunus, Parliament has refused to approve an amendment to legislation that established Grameen Bank in the early 1980s; the amendment would have given the bank's Board of Directors, rather than the GOB (as has been the practice), the authority to select the Chairman of Grameen Bank, a position held by Yunus since the bank's inception and renewed every two years.

13. (U) BACKGROUND: In order to create Grameen Bank in 1983, when the concept of "micro-credit" was little known or understood, Yunus sought support from the GOB to transform his micro-credit venture from a charitable organization to a full-fledged bank. The GOB passed an ordinance creating Grameen Bank. The ordinance decreed that the GOB would own 60 percent of the bank and would have the authority to appoint the bank's Chairman. Since 1983, the GOB's share of Grameen Bank has gradually declined; now the government only

owns 5 percent of the bank. The GOB has also continued to re-appoint Yunus the bank's Chairman. However, Yunus has long desired to change the rule giving the GOB control of his position as Chairman. (NOTE: Yunus' efforts in this regard are detailed in part in his first book, "Banker to the Poor." END NOTE.)

¶4. (C) Over the years, Yunus told the Ambassador, he had applied repeatedly to the GOB to amend the rules regarding the selection of the Chairman. During the recent Caretaker Government (CTG) of 2007-2008, Yunus was successful in persuading the CTG to amend the Grameen Bank ordinance so the GOB no longer had the authority to appoint the bank's Chairman. Bangladesh's Constitution requires, however, that an elected government approve all ordinances passed by a caretaker government. When Sheikh Hasina's Awami League formed a new government following December 2008 elections, Yunus urged the GOB to approve the ordinance that made Grameen Bank leadership independent of the GOB. Despite strong support from several Cabinet Ministers, the Prime Minister refused to approve the legislation.

¶5. (C) Yunus requested USG assistance with his efforts to have the Prime Minister reverse her decision. In response to a query from the Ambassador, Yunus said he had thus far only spoken with members of the PM's cabinet and not with the Prime Minister herself. The Ambassador recommended Yunus seek a meeting with the PM as a first step in advocating she approve the amendment to the Grameen Bank legislation. The Ambassador pledged to assist Yunus in obtaining the meeting and in urging the Prime Minister to change the Grameen Bank legislation.

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YUNUS SAYS HASINA SHOULD BE "BUILDING BRIDGES"

¶6. (C) The Ambassador and Professor Yunus went on to discuss more generally the Prime Minister's performance during her first four months in office. Yunus was critical of the Prime Minister's actions to strengthen central government at the expense of local government. He also criticized the Awami League government for exacting petty retributions against the opposition Bangladesh Nationalist Party (BNP) and its leader Begum Khaleda Zia. "This is a divisive strategy," Yunus said. The Prime Minister "must build bridges."

¶7. (C) According to Yunus, the new government leadership must also address the nation's power crisis and improve the quality of government bureaucracy in order to keep Bangladesh on its development path. If the government and business can begin to meet the nation's immense power needs, then the rest of the economy will continue to grow, Yunus said. With regard to quality of governance, Yunus observed that the GOB desperately needed professional civil servants who had the expertise to manage their portfolios and who were not subject to the whims of politics.

GRAMEEN FORGES AHEAD IN HEALTH CARE

¶8. (SBU) Yunus updated the Ambassador on Grameen's progress in developing health care services for the poor in Bangladesh. Grameen recently finalized an agreement with Harvard to establish Grameen Medical College in Bangladesh, to train doctors with an emphasis on medical treatment of the poor. At the same time, Grameen is partnering with the Nike Foundation, Bayer and a Glasgow, Scotland university to open three nursing colleges in different parts of Bangladesh. Yunus noted the lamentable state of nursing in Bangladesh, which only had one nurse for every three doctors. Yunus also described Grameen's partnership with GE Healthcare, through which GE will produce basic medical equipment that can be used in village house calls by local health care workers.

COMMENT

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¶9. (C) Despite, or perhaps because of, Yunus' international reputation, many among Bangladesh's political elite regard the Nobel Laureate with suspicion. In the atmosphere of Bangladesh's cult-of-personality politics, Sheikh Hasina and others likely view Yunus' achievements and stature as a threat to their authority; in their minds, his very brief attempt to establish a political party in the early days of the 2007-2008 Caretaker Government is proof of an alleged desire to usurp Bangladesh's long-time leaders, including the Prime Minister. Using this logic, then, it is not surprising the Prime Minister wishes to retain a lever of power over the Grameen Bank Chairman. Yunus and his supporters, including the United States, need to convince the Prime Minister that an independent Grameen Bank is in her interest. We will emphasize that an independent Grameen Bank can support the PM's stated desire to further alleviate poverty in Bangladesh, and that Yunus as an independent bank chairman can enhance her standing on the world stage. We will work with Yunus to make these points with the Prime Minister and her advisers. We will also note the potential negative consequences of any attempt to sideline such an internationally respected figure as Muhammad Yunus.

MORIARTY